



SERVICE SECTOR INDICATORS

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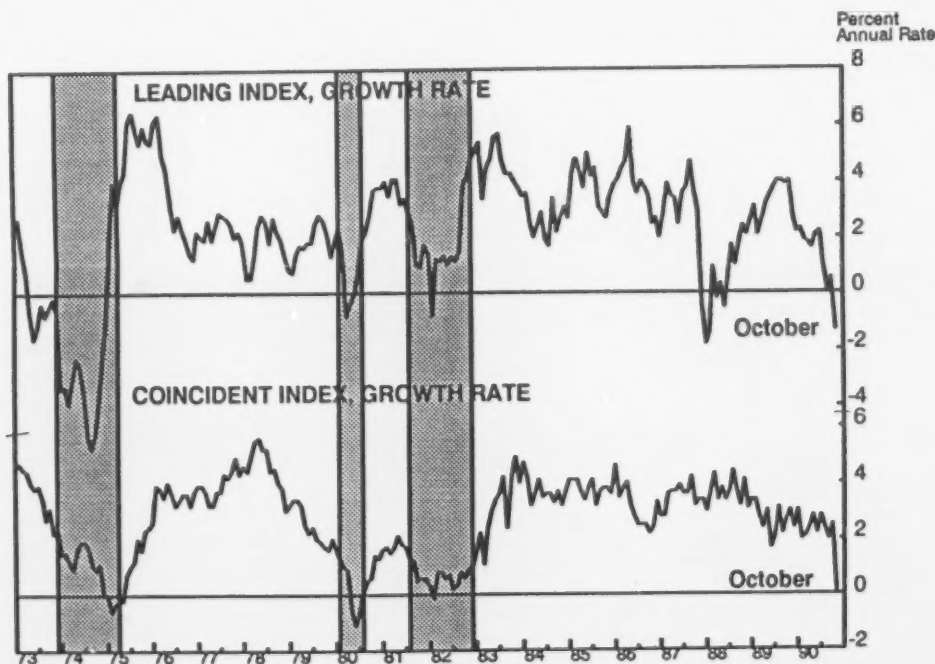
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SERVICES LEADING INDEX GROWTH TURNS NEGATIVE

The leading index of service sector activity, compiled by the Columbia Business School's Center for International Business Cycle Research (CIBCR), dropped from a revised 156.9 in September to 155.5 in October, while its annualized growth rate dropped from a revised 0.5% in September to -1.3% in October. The decline was caused by drops in construction contracts for commercial buildings and the average workweek and stock prices in services, partly offset by a rise in profit margins in services.

The coincident index of service sector activity also fell, from 193.8 in September to 191.7 in October, while its smoothed annualized growth rate dropped from 2.5% in September to just 0.1% in October — the lowest growth rate since the last recession. The decline was caused by drops in labor income and employee hours in services, offset in part by a small rise in personal consumption expenditures in the service sector.

Although the greater importance of services in the economy and their tendency to grow even during recessions has helped make recessions milder in recent times, they do participate in recessions by growing more slowly. As our leading index shows, that story is now likely to be repeated once again. Dr. Geoffrey H. Moore, Director, observed that in the severe recession of 1982 the growth rates in the services indexes did not get any lower than they are now.



Shaded areas represent business cycle recessions.

LEADING INDEX OF SERVICES, AND COMPONENTS

	Leading Index* (1967=100)	Leading Index Growth Rate (%)	Average Workweek, Services (hours)	Construction Contracts, Commercial Buildings (mil. sq. ft., ann. rate)	S&P Stock Price Index, Services, (Mar. 87=100)	Index of Profit Margins, Services (1982=100)
	1.	2.	3.	4.	5.	6.
1989:						
Apr.	153.1	3.2	32.87	772	102.5	113.0
May	153.7	3.5	32.70	806	108.0	114.3
June	154.4	3.8	32.71	840	111.6	114.3
July	155.0	4.0	32.80	779	116.5	113.7
Aug.	155.4	4.0	32.67	778	121.9	114.6
Sept.	155.8	3.9	32.74	818	122.1	113.8
Oct.	156.3	4.0	32.81	808	122.6	113.8
Nov.	155.8	2.8	32.69	717	120.1	114.2
Dec.	155.7	2.2	32.69	638	120.6	113.8
1990:						
Jan.	156.2	2.3	32.61	810	116.5	114.6
Feb.	156.2	1.9	32.74	731	112.1	114.2
Mar.	156.5	1.8	32.76	690	114.6	113.8
Apr.	156.7	1.6	32.81	655	113.8	113.9
May	157.4	2.1	32.76	712	117.3	114.4
June	157.8	2.2	32.83	658	121.2	113.8
July	157.1	1.0	32.78	519	118.5	113.8
Aug.	156.4r	0.0r	32.66	558	106.0	114.4r
Sept.	156.9r	0.5r	32.92r	581	100.1	113.6r
Oct.	155.5	-1.3	32.43	521	98.0	115.4

COINCIDENT INDEX OF SERVICES, AND COMPONENTS

	Coincident Index* (1967=100)	Coincident Index Growth Rate (%)	Services Output, GNP (bil. 1982\$, ann. rate)	Services, Personal Consumption Expenditures (bil. 1982\$, ann. rate)	Services Labor Income (bil. 1982-84\$, ann. rate)	Service Employee Hours (bil., ann. rate)
	7.	8.	9.	10.	11.	12.
1989:						
Apr.	187.5	3.0	1900.5	1301.9	689.5	112.5
May	186.7	1.7	1902.5	1301.5	684.2	111.5
June	187.5	2.1	1909.5	1304.0	687.0	112.2
July	188.8	3.1	1916.5	1311.7	694.4	113.2
Aug.	188.4	2.2	1923.5	1313.6	691.8	112.2
Sept.	189.2	2.7	1928.9	1316.2	696.8	112.8
Oct.	190.0	3.0	1934.3	1319.3	699.6	113.6
Nov.	189.8	2.4	1939.7	1318.4	697.7	113.4
Dec.	190.8	3.0	1941.0	1333.7	700.4	113.9
1990:						
Jan.	190.2	2.0	1942.4	1318.8	695.5	114.6
Feb.	190.6	2.1	1943.7	1323.2	697.6	114.6
Mar.	191.3	2.4	1946.6	1330.5	702.2	114.9
Apr.	192.1	2.8	1949.6	1336.9	705.5	115.5
May	191.9	2.2	1952.5	1336.6	705.5	115.0
June	192.9r	2.8r	1958.1r	1349.1	707.7	115.8
July	193.0r	2.4r	1963.7r	1347.1r	708.9	115.6
Aug.	192.9r	2.0r	1969.3r	1353.7r	704.4	115.2r
Sept.	193.8	2.5	n.a.	1356.0r	707.8r	116.2
Oct.	191.7	0.1	n.a.	1358.2	694.3	114.6

Note: Cols. 2 and 8. The growth rates are six-month smoothed percent changes at annual rate, based on the ratio of the current month's index to the average for the preceding twelve months.

r = revised.

Sources: 3. Bureau of Labor Statistics, Production and non-supervisory workers.

4. McGraw-Hill Company, F.W. Dodge Division. Seasonally adjusted by CIBCR.

5. Standard & Poor's Corporation indexes for 13 service industries, compiled by CIBCR.

6. This series is constructed by CIBCR using the price deflator for services consumption, labor income, and an experimental monthly services output index developed by the Federal Reserve Board.

9, 10. Department of Commerce, Bureau of Economic Analysis. Quarterly data for output are interpolated by CIBCR.

11. Bureau of Labor Statistics. Payroll index, 1977 = 100, converted to 1982-84 dollars by CIBCR, using CPI, All Urban Consumers, seasonally adjusted.

12. Bureau of Labor Statistics, all employees.

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